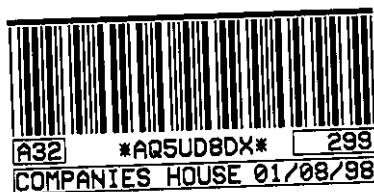




**REGENTS PARK MORTGAGE FUNDING
LIMITED**

Report and Financial Statements

30 November 1997



**Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN**

REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M A Finegold
C French
S C Kingdon

SECRETARY

Clifford Chance Secretaries Limited

REGISTERED OFFICE

200 Aldersgate Street
London
EC1A 4JJ

BANKERS

Barclays Bank PLC
Atlas House
No.1 King Street
London
EC2V 8AV

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

AUDITORS

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 November 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is the provision of mortgage loans secured by first charges over residential properties within the United Kingdom and their subsequent securitisation.

During the year the company sold mortgages with a book value of £53,785,726, realising a profit after deduction of costs of £1,343,719.

The directors are satisfied with the progress of the business to date and are encouraged by future prospects.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 5. The loss after taxation of £68,073 (1996 - loss of £791,586) has been carried forward. No dividend is proposed.

DIRECTORS

The directors since the beginning of the financial year were:

M A Finegold

C French

S C Kingdon (appointed 1 December 1997)


Mr M A Finegold and Mr C French are directors of the ultimate parent company. Accordingly, their interests in shares of group companies are disclosed in that company's directors' report.

Neither director had any interest either during or at the end of the year in any material contract or arrangement with the company.

AUDITORS

The company passed a written resolution in accordance with section 386 of the Companies Act 1985 to dispense with the obligation of appointing auditors annually and accordingly the company's auditors, Deloitte & Touche will remain in office until the company or the auditors otherwise determine.

Approved by the Board of Directors
and signed on behalf of the Board



M A Finegold

Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
in relation to Financial Statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year. As required, in the absence of any circumstances which would make it inappropriate, the financial statements have been prepared on a going concern basis.

The directors consider that, in preparing the financial statements on pages 5 to 11, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham B3 2BN

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international + 44 121 200 2211
Fax (Gp. 3): 0121 695 5311

AUDITORS' REPORT TO THE MEMBERS OF

REGENTS PARK MORTGAGE FUNDING LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the lack of certainty of the availability of future funding. In view of the significance of this lack of certainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 November 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

8th February 1998



PROFIT AND LOSS ACCOUNT
Year ended 30 November 1997

| | Note | 1997 £ | 1996 £ |
|---|------|-------------|-----------|
| INTEREST RECEIVABLE | 3 | 3,871,465 | 228,186 |
| Interest payable | 4 | (3,592,575) | (214,917) |
| Net interest income | | 278,890 | 13,269 |
| Income from securitisations | 5 | 1,615,033 | - |
| Other operating income | 6 | 1,411,183 | 88,247 |
| Total operating income | | 3,305,106 | 101,516 |
| Operating expenses | | (3,391,612) | (910,569) |
| OPERATING LOSS BEING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 7 | (86,506) | (809,053) |
| Tax on loss on ordinary activities | 9 | 18,433 | 17,467 |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE LOSS FOR THE FINANCIAL YEAR | 15 | (68,073) | (791,586) |

All material activities derive from continuing operations.

There are no recognised gains or losses other than the loss for the year.


BALANCE SHEET
30 November 1997

| | Note | £ | 1997 £ | £ | 1996 £ |
|--|------|--------------|------------|------------|------------|
| ASSETS EMPLOYED | | | | | |
| FIXED ASSETS | | | | | |
| Mortgage loans - unsecuritised balances | 10 | | 58,976,995 | | 22,973,324 |
| - securitised balances | 11 | 45,656,510 | | - | |
| - non recourse finance | 11 | (45,656,510) | | - | |
| | | | | | |
| | | | - | | - |
| | | | | | |
| | | | 58,976,995 | | 22,973,324 |
| Investment in securitisations | 12 | | 1,316,393 | | - |
| | | | | | |
| | | | 60,293,388 | | 22,973,324 |
| CURRENT ASSETS | | | | | |
| Debtors | 13 | 1,607,793 | | 68,097 | |
| Cash at bank | | 7,413,947 | | 1,644,663 | |
| | | | | | |
| | | | 9,021,740 | | 1,712,760 |
| | | | | | |
| | | | 69,315,128 | | 24,686,084 |
| FINANCED BY | | | | | |
| EQUITY SHAREHOLDERS' (DEFICIT) | | | | | |
| Called up share capital | 14 | 1 | | 1 | |
| Profit and loss account | 15 | (859,659) | | (791,586) | |
| | | | | | |
| | 16 | | (859,658) | | (791,585) |
| CREDITORS | | | | | |
| Amounts falling due within one year | 17 | 70,174,786 | | 662,669 | |
| Amounts falling due after more than one year | 17 | - | | 24,815,000 | |
| | | | | | |
| | | | 70,174,786 | | 25,477,669 |
| | | | | | |
| | | | 69,315,128 | | 24,686,084 |

These financial statements were approved by the Board of Directors on 6 February 1998.

Signed on behalf of the Board of Directors

M A Finegold

Director



NOTES TO THE ACCOUNTS

Year ended 30 November 1997

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The company has net liabilities of £859,658. It's ability to continue operating as a going concern is reliant upon the on going support of its parent company. The directors of the parent company have considered the availability of future funding to the group, and as several funding offers are currently being considered, have concluded that the necessary financial resources will be available to allow the parent company and its subsidiaries to continue operating as going concerns for the foreseeable future.

On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

2. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Mortgage loans

Mortgage loans are stated at cost less provision for diminution in value.

Linked presentation

The company has securitised certain mortgage assets to another company outside the group on a non-recourse basis. In accordance with the requirements of Financial Reporting Standard 5, these assets are disclosed on the face of the balance sheet, with the non-recourse finance raised deducted from them.

Investment in securitisations - 'A' floating rate note coupons

The 'A' floating rate note coupons were issued by the company purchasing the mortgages being securitised and were acquired by Regents Park Mortgage Funding Limited. They are interest only coupons which have been recorded at their historic cost which is then being amortised over the period in which income is expected to be generated from them.

Funding costs

Initial costs incurred in arranging funding facilities are amortised over the year of the facility. Unamortised initial costs are deducted from the associated liability in accordance with Financial Reporting Standard 4 and costs amortised in the year are included in interest payable.

Related party transactions

The company has taken advantage of the exemption allowed to subsidiary companies under Financial Reporting Standard 8 - Related Party Transactions, and therefore transactions with other group companies are not disclosed separately.

3. INTEREST RECEIVABLE

| | 1997 £ | 1996 £ |
|-------------------|------------------|----------------|
| Mortgage interest | 3,721,102 | 228,186 |
| Other interest | 150,363 | - |
| | <u>3,871,465</u> | <u>228,186</u> |


NOTES TO THE ACCOUNTS
Year ended 30 November 1997
4. INTEREST PAYABLE

| | 1997 £ | 1996 £ |
|--------------------------------------|------------------|----------------|
| On loans repayable within five years | | |
| Loan facilities | 3,547,562 | 207,417 |
| Amortisation of initial costs | 30,000 | 7,500 |
| Other bank interest | 15,013 | - |
| | <u>3,592,575</u> | <u>214,917</u> |

5. INCOME FROM SECURITISATIONS

| | 1997 £ | 1996 £ |
|---|------------------|-----------|
| Profit on sale of mortgages | 1,343,719 | - |
| 'A' floating rate note coupons interest | 535,621 | - |
| Amortisation of 'A' floating rate note coupons cost | (264,307) | - |
| | <u>1,615,033</u> | <u>-</u> |

6. OTHER OPERATING INCOME

| | 1997 £ | 1996 £ |
|----------------------|------------------|---------------|
| Completion fees | 411,980 | 65,665 |
| Insurance commission | 57,172 | 8,541 |
| Other fees | 75,781 | 14,041 |
| Related fee income | 866,250 | - |
| | <u>1,411,183</u> | <u>88,247</u> |

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Loss on ordinary activities before taxation is after charging: | | |
| Management charge | 1,774,025 | 566,984 |
| Auditors' remuneration - Audit services | 19,750 | 11,400 |
| Provision for mortgage losses | 2,592 | - |
| | <u></u> | <u></u> |

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has no employees. The directors received no remuneration from the company in the year.


NOTES TO THE ACCOUNTS
Year ended 30 November 1997
9. TAXATION

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| UK corporation tax on the profit/(loss) for the year at 31% (1996: 33%): | | |
| Group relief | 18,433 | 17,467 |

Losses of £836,000 (1996 - £809,000) are available to carry forward against future trading profits.

10. MORTGAGE LOANS - UNSECURITISED BALANCES

| | £ |
|-----------------------|--------------|
| Cost | |
| At 1 December 1996 | 22,973,324 |
| Advances | 90,102,850 |
| Other debits | 4,130,239 |
| Repayments | (2,434,418) |
| Redemptions | (2,006,682) |
| Securitisations | (53,785,726) |
| At 30 November 1997 | 58,979,587 |
| Provision | |
| At 1 December 1996 | - |
| Charge for the year | 2,592 |
| At 30 November 1997 | 2,592 |
| Net book value | |
| At 30 November 1997 | 58,976,995 |
| At 30 November 1996 | 22,973,324 |

11. MORTGAGE LOANS - SECURITISED BALANCES

Regents Park Mortgage Funding has securitised £45,656,510 of mortgage loans to a company which is owned by a charitable trust. Regents Park Mortgage Funding is not obliged to support any losses of the securitisation company and does not intend to do so. The floating rate notes (principal and interest) issued by the securitisation company are only repayable out of funds generated from the securitised mortgage loans and there is no recourse to Regents Park Mortgage Funding for any shortfall.

The priority and amount of claims on the proceeds generated by the assets are determined in accordance with a strict priority of payments. Regents Park Mortgage Funding is entitled to further deferred consideration depending on the performance of the securitisation company, although the proceeds already received from the sale of the mortgage loans are non-returnable.

Regents Park Mortgage Funding has an option to make a number of further securitisations into the same company over a fixed period of time.

The income in the year arising from the securitised assets is shown in note 5 to the accounts.


NOTES TO THE ACCOUNTS
Year ended 30 November 1997
12. INVESTMENTS IN SECURITISATIONS

Investment in securitisations consists of an interest in 'A' Floating Rate Note Coupons issued by the company to which Regents Park Mortgage Funding Limited has sold mortgages.

| | 'A' Note Coupons £ |
|----------------------------|-----------------------------|
| At 1 December 1996 | - |
| Acquired on securitisation | 1,580,700 |
| Amortisation | (264,307) |
| | <hr/> |
| At 30 November 1997 | 1,316,393 |
| | <hr/> |

13. DEBTORS

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Amounts falling due within one year | | |
| Amounts due from other group companies | 1,170,961 | 47,500 |
| Group relief receivable | 35,900 | 17,467 |
| Other debtors | 188,835 | 3,130 |
| Prepayments and accrued income | 212,097 | - |
| | <hr/> | <hr/> |
| | 1,607,793 | 68,097 |
| | <hr/> | <hr/> |

14. CALLED UP SHARE CAPITAL

| | 1997 £ | 1996 £ |
|------------------------------------|-----------|-----------|
| Authorised | | |
| 100 ordinary shares of £1 each | 100 | 100 |
| | <hr/> | <hr/> |
| Called up, allotted and fully paid | | |
| 1 ordinary share of £1 | 1 | 1 |
| | <hr/> | <hr/> |

15. PROFIT AND LOSS ACCOUNT

| | £ |
|---------------------|-----------|
| At 1 December 1996 | (791,586) |
| Loss for the year | (68,073) |
| | <hr/> |
| At 30 November 1997 | (859,659) |
| | <hr/> |


NOTES TO THE ACCOUNTS
Year ended 30 November 1997
16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

| | 1997 £ | 1996 £ |
|---------------------------------------|------------------|------------------|
| Loss for the year | (68,073) | (791,586) |
| Opening shareholders' (deficit)/funds | (791,585) | 1 |
| Closing shareholders' deficit | <u>(859,658)</u> | <u>(791,585)</u> |

17. CREDITORS

| | 1997 £ | 1996 £ |
|---|-------------------|----------------|
| Amounts falling due within one year | | |
| Loan facilities | 68,945,570 | - |
| Trade creditors | 262,101 | - |
| Amounts due to other group companies | 3,893 | 525,571 |
| Other creditors | 371,572 | - |
| Accruals and deferred income | 591,650 | 137,098 |
| | <u>70,174,786</u> | <u>662,669</u> |
| Amounts falling due after more than one year | | |
| Loan facilities - repayable between one and two years | - | 24,815,000 |

The company has a £100,000,000 (1996 - £65,000,000) revolving loan facility. This is due for repayment on 31 July 1998. The amount drawn down at 30 November 1997 was £66,276,324 (1996 - £24,867,500). The amount stated in the balance sheet is net of initial costs incurred in arranging the loan facility in accordance with Financial Reporting Standard 4. This facility was increased to £150,000,000 after the year end.

The loan facility is used to fund the provision of mortgage loans which provide the security to the facility provider.

The company also has a £2,900,000 term loan facility. This is due for repayment on 31 July 1998. The amount drawn down at 30 November 1997 was £2,691,746 (1996 - £Nil). The loan is secured over the assets of the company.

18. RELATED PARTY TRANSACTIONS

During the year the Company sold mortgages with a book value of £53,785,726 to Residential Mortgage Securities 2 plc which is owned by a charitable trust. During the period since the sale Regents Park Mortgage Funding has recognised £535,621 of interest due to it from its interest in the A note detachable coupons issued by Residential Mortgage Securities 2 plc.

19. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Norland Capital Group plc, a company registered in England and Wales. Copies of the Group's financial statements are available from that company's registered office at 200 Aldersgate Street, London, EC1A 4JJ. The majority shareholder of Norland Capital Group plc is a discretionary trust of which Mr M A Finegold is one of several beneficiaries.